

MENDON TOWNSHIP  
FINANCIAL STATEMENTS  
MARCH 31, 2005

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>MENDON TOWNSHIP</b>		County <b>ST JOSEPH</b>
Audit Date <b>3-31-05</b>	Opinion Date <b>9-19-05</b>	Date Accountant Report Submitted to State: <b>9-30-05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                              |  |   |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input type="checkbox"/> no            | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>David F. Lacey, CPA</b>			
Street Address <b>6703 N. M-66</b>	City <b>Sturgis</b>	State <b>MI</b>	ZIP <b>49091</b>
Accountant Signature <i>[Signature]</i> <b>CPA</b>			

## CONTENTS

	Page
FINANCIAL STATEMENTS	
Auditor's report	1
Combined statements:	
All fund types and account groups:	
Combined balance sheets	2
Governmental fund types:	
Combined statement of revenue, expenditures and changes in fund balances - all governmental funds	3
Combined statement of revenues, expenditures and changes in fund balances - general fund and special revenue funds	4
Notes to financial statements	5 - 11
SUPPLEMENTAL INFORMATION	
General fund:	
Balance sheet	12
Statement of fund balance	12
Statement of revenue and expenditures compared to budget	13
Statement of operating expenditures compared to budget	14 - 16
Special revenue funds:	
Combined balance sheet	17
Combined statement of revenue, expenditures and fund balance - Special Revenue funds	18
Fire fund:	
Balance sheet	19
Statement of fund balance	19
Statement of revenue and expenditures compared to budget	20
Library fund:	
Balance sheet	21
Statement of fund balance	21
Statement of revenue and expenditures compared to budget	22

CONTENTS - Continued

	Page
Fiduciary funds:	
Agency funds:	
Combining balance sheets	23
Trust and Agency fund:	
Balance sheet	24
Statements of cash receipts and disbursements	25
Current tax fund:	
Balance sheet	26
Statement of cash receipts and disbursements	27
Statement of general fixed assets account group	28
Report on compliance an on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards	29

**David F. Locey, CPA, PC**

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

---

(269)-651-4225 Phone  
(269)-651-1989 Fax

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Mendon  
St. Joseph County, Michigan

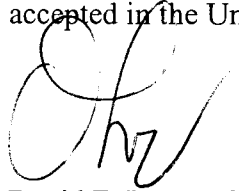
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Mendon, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Mendon, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, management has not reported its financial statement under GASB 34 reporting format. As a result, no management discussion and analysis report, government wide statement of net assets, or government wide statement of activities is included. Management has not recorded certain general assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of the governmental activities of the Township of Mendon, Michigan, as of March 31, 2005, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Mendon, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'D. Locey', is written over the printed name.

David F. Locey, CPA, PC  
Sturgis, Michigan  
September 19, 2005

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2005

ASSETS

	Governmental Fund Types	
	General	Special Revenue
ASSETS		
Cash	\$23,000	\$47,581
Investments	101,328	89,481
Delinquent taxes receivable	7,855	15,812
Accounts receivable-State Revenue Sharing	29,527	0
Due from other funds	70,128	112,706
Property, plant and equipment	0	0
Special Assessment Receivable	13,165	0
Total assets	<u>\$245,003</u>	<u>\$265,580</u>

LIABILITIES AND FUND EQUITY

LIABILITIES		
Accounts payable	\$12,238	\$16,487
Due to other funds	500	0
Due to other governmental units	0	0
Total liabilities	12,738	16,487
FUND EQUITY		
Investment in general fixed assets	0	0
Fund balance	232,265	249,093
Total fund equity	232,265	249,093
Total liabilities and fund equity	<u>\$245,003</u>	<u>\$265,580</u>

The notes to the financial statements are an integral part of this statement.

<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	<u>Total (Memorandum Only)</u>
<u>Tax and Trust &amp; Agency</u>	<u>General Fixed Assets</u>	<u>Reporting Entity</u>
\$287,414	\$0	\$357,995
0	0	190,809
0	0	23,667
0	0	29,527
0	0	182,834
0	621,674	621,674
0	0	13,165
<u>\$287,414</u>	<u>\$621,674</u>	<u>\$1,419,671</u>
\$0	\$0	\$28,725
182,333	0	182,833
105,081	0	105,081
287,414	0	316,639
0	621,674	621,674
0	0	481,358
0	621,674	1,103,032
<u>\$287,414</u>	<u>\$621,674</u>	<u>\$1,419,671</u>



MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2005

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
REVENUE			
Taxes and special assessments	\$58,347	\$129,521	\$187,868
Trailer Park Fees	1,339	0	1,339
State aid	129,197	4,248	133,445
Licenses, permits and fines	7,911	18,078	25,989
Sales and service	2,650	0	2,650
Interest	6,154	2,186	8,340
Federal aid	0	0	0
Miscellaneous	11,128	1,796	12,924
Transfers from other funds	0	1,427	1,427
Property Sale	0	0	0
Total revenue	216,726	157,256	373,982
EXPENDITURES			
General government	132,954	0	132,954
Town hall	6,245	0	6,245
Cemetery	23,684	0	23,684
Library	0	73,275	73,275
Fire	0	67,602	67,602
Roads	89,341	0	89,341
Ambulance service	8,961	0	8,961
Federal Revenue Sharing	0	0	0
Total expenditures	261,185	140,877	402,062
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(44,459)	16,379	(28,080)
FUND BALANCE - BEGINNING	276,724	232,714	509,438
FUND BALANCE - ENDING	\$232,265	\$249,093	\$481,358

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL -- GENERAL FUND AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED MARCH 31, 2005

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Taxes and special assessments	\$63,200	\$58,347	(\$4,853)
Tax collection fees	0	0	0
State aid	120,000	129,197	9,197
Licenses, permits and fines	8,800	7,911	(889)
Sales and service	3,000	2,650	(350)
Interest	1,000	6,154	5,154
Federal aid	0	0	0
Miscellaneous	6,700	12,467	5,767
Transfers from other funds	0	0	0
Property Sale	0	0	0
Total revenue	202,700	216,726	14,026
EXPENDITURES			
General government	132,526	132,954	(428)
Town hall	10,100	6,245	3,855
Cemetery	24,612	23,684	928
Library	0	0	0
Fire	0	0	0
Roads	87,450	89,341	(1,891)
Ambulance service	10,000	8,961	1,039
Total expenditures	264,688	261,185	3,503
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(61,988)	(44,459)	17,529
FUND BALANCE - BEGINNING	276,724	276,724	0
FUND BALANCE - ENDING	\$214,736	\$232,265	\$17,529

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$123,182	\$129,521	\$6,339
0	0	0
4,500	4,248	(252)
16,000	18,078	2,078
0	0	0
3,600	2,186	(1,414)
0	0	0
3,000	1,796	(1,204)
7,000	1,427	(5,573)
0	0	0
157,282	157,256	(26)
0	0	0
0	0	0
0	0	0
76,514	73,275	3,239
57,528	67,602	(10,074)
0	0	0
0	0	0
134,042	140,877	(6,835)
23,240	16,379	(6,861)
232,714	232,714	0
<u>\$255,954</u>	<u>\$249,093</u>	<u>(\$6,861)</u>

Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$186,382	\$187,868	\$1,486
0	0	0
124,500	133,445	8,945
24,800	25,989	1,189
3,000	2,650	(350)
4,600	8,340	3,740
0	0	0
9,700	14,263	4,563
7,000	1,427	(5,573)
0	0	0
359,982	373,982	14,000
132,526	132,954	(428)
10,100	6,245	3,855
24,612	23,684	928
76,514	73,275	3,239
57,528	67,602	(10,074)
87,450	89,341	(1,891)
10,000	8,961	1,039
398,730	402,062	(3,332)
(38,748)	(28,080)	10,668
509,438	509,438	0
<u>\$470,690</u>	<u>\$481,358</u>	<u>\$10,668</u>

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

- II. The Township of Mendon is located in St. Joseph County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment.

A. PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY - In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement #14 "The Financial Reporting Entity". The Township of Mendon, Michigan operates under a council form of government. The accompanying financial statements present the township's primary government and component units (none) over which the township exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Township of Mendon.

The major operations of the township include fire protection, general administrative services, and library services.

Criteria - primary vs. component unit (none)  
Oversight Responsibilities

- A. Financial interdependency - responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

B. BASIS OF PRESENTATION - FUND ACCOUNTING

FUND ACCOUNTING - The accounts of the Township of Mendon are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

The funds are grouped into two fund types and four generic funds as described below:

**GOVERNMENTAL FUND TYPES** - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

**General Fund** - This fund is established to account for resources devoted to financing the general services that the township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the township are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

**Special Revenue Funds** - The Township of Mendon has two Special Revenue Funds, the Library Fund and the Fire Fund. These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trust, or major capital projects that are legally restricted to expenditures for specified purposes.

**Fiduciary Fund Types** - These funds account for assets held by the township as trustee or agent for individuals, private organizations, and other governmental units. These funds are as follows:

**Trust & Agency** - Used for various fees which are held for disbursement to proper agencies.

**GENERAL FIXED ASSETS ACCOUNT GROUP** - This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes .

C. **BASIS OF ACCOUNTING**

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available).

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

Agency fund assets and liabilities are accounted for under the modified accrual basis.

D. BUDGETARY DATA

BUDGETARY ACCOUNTING - Formal budgetary accounting is employed as a management control for all funds of the township. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and Special Revenue Funds. The same basis of accounting is used to reflect actual revenues and expenditures/expense recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, council adopted fiscal year 3/05 budget on 4/4/05.

E. ASSETS, LIABILITIES, AND FUND EQUITY

Receivables - Receivables are reported at their gross value and are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Fund equity - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

F. REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each December 1 on the state equalized valuation of property located in the Township of Mendon as of the preceding December 31. The 2004 taxable valuation of the Township of Mendon totaled \$63,181,854, on which ad valorem taxes were levied consisting of .9827 for local operation, .9853 for library, 1.59490 for fire operation, and fire equipment, and .2070 for ambulance. These amounts are recognized in the respective general fund and special revenue fund financial statements as taxes receivable or current tax collection.

G. COMPENSATED ABSENCE

Vacation, sick leave, and other compensated absences - The Township of Mendon has no carry over vacation, sick pay, or compensated absences at the end of the current fiscal year. All compensated absences must be used during the fiscal year earned or they are lost.

H. TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund elimination's have not been made the aggregation of this data.

I. BALANCE SHEET CASH AND INVESTMENTS

Deposits are carried at cost. Deposits of the township are at one bank in the name Township of Mendon. Michigan Compiled Laws (MCL), Section 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government national Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	Primary Government
Deposits	Bank Balance
Insured (FDIC)	\$100,000
Uninsured	448,302
Total Deposits	<u>\$548,302</u>

J. FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
Land & Buildings	\$9,734	\$0	\$0	\$9,734
Equipment	611,940	31,419	0	643,359
Total	<u>\$621,674</u>	<u>\$31,419</u>	<u>\$0</u>	<u>\$653,093</u>

K. INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions between various governmental and special revenue fund types occur during the fiscal year.



TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Principally, these transactions arise from operating subsidies. Transactions that have not resulted in the actual transfer of cash as of the end of the fiscal year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Fire		
Tax Fund	\$61,786	\$500
Library		
Tax Fund	47,787	
Fire Fund		
Tax Fund	63,909	
General	500	
Tax Fund		
General		61,786
Library		47,787
Fire		63,909
	<u>\$173,982</u>	<u>\$173,982</u>

L. GASB 34 REPORTING FINANCIAL

Township has elected not to convert to GASB 34 format, therefore assets owned by the Township such as building and equipment are not stated at current values as of 03/31/05, also no current charge is being recorded for current year depreciation. Accordingly the Management and Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

TOWNSHIP OF MENDON, ST. JOSEPH COUNTY, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2005

M. POST EMPLOYMENT BENEFITS - No benefits are available

N. DEFINED CONTRIBUTION PLAN - 457 PLAN

Effective Date: January 1, 1993

Eligibility: To be eligible to participate in the Plan, you must be in an eligible class of employees.

Entry Dates: You will enter the Plan and begin to participate on the later of the Plan's effective date or the first day of the Plan Year or the corresponding day of any subsequent month coincident with or following the date that you meet the eligibility requirements.

Contributions to the Plan

Employer Contributions: Your employer will make contributions to the Plan that will be allocated periodically to participant accounts. The amount allocated to your Plan account will be 100% of the amount determined from the following schedule:

<u>Your Annual Compensation</u>				<u>Annual Contribution</u>
		less than	\$1,500.00	\$150.00
at least	\$1,500.00 but	less than	\$3,000.00	\$450.00
at least	\$3,000.00 but	less than	\$4,500.00	\$750.00
at least	\$4,500.00 but	less than	\$6,000.00	\$1,050.00
		more than	\$6,000.00	\$1,350.00

Voluntary After-Tax Employee Contributions: You may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of your Compensation.

Distribution of your Vested Account

Time and Method for Distribution: Your vested account balance will be valued following your retirement, disability, death or other termination of employment, and the vested amount as so determined will be paid as soon thereafter as possible. Normally, this process takes several months, while the Employer determines any final contribution to be made on your behalf and the value of account investments is determined.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

GENERAL FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

ASSETS

Cash	\$23,000
Investments	101,328
Delinquent taxes receivable	7,855
Accounts receivable - State Revenue Sharing	29,527
Due from Tax Fund	70,128
Special Assessment Receivable	13,165
	<hr/>
Total assets	\$245,003

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$12,238
Due to Fire Fund	500
	<hr/>
Total liabilities	12,738

FUND BALANCE

232,265

Total liabilities and  
fund balance

---

\$245,003

STATEMENT OF FUND BALANCE

FUND BALANCE - BEGINNING

\$276,724

Excess of revenue over(under)  
expenditures

---

(44,459)

FUND BALANCE - ENDING

---

\$232,265

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

GENERAL FUND  
STATEMENT OF REVENUE AND EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Current tax levy - general	\$63,200	\$58,347	(\$4,853)
Trailer park fees	700	1,339	639
State revenue sharing	120,000	129,197	9,197
Building and other permits	8,800	7,911	(889)
Grave openings	0	650	650
Cemetery lot sales	3,000	2,000	(1,000)
Property sale	0	0	0
Interest - rents	1,000	6,154	5,154
Refund and miscellaneous	6,000	11,128	5,128
Total revenue	202,700	216,726	14,026
EXPENDITURES			
Township board	41,700	39,664	2,036
Supervisor-assessor-administrative assistant	40,650	37,273	3,377
Elections	2,600	4,638	(2,038)
Clerk	14,500	13,868	632
Treasurer	20,000	25,131	(5,131)
Cemetery	24,612	23,684	928
Town hall	10,100	6,245	3,855
Zoning appeals	700	17	683
Constable - inspector	10,250	8,445	1,805
Roads-drains	87,450	89,341	(1,891)
Zoning board	2,126	3,918	(1,792)
Ambulance service	10,000	8,961	1,039
Total expenditures	264,688	261,185	3,503
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(\$61,988)	(\$44,459)	\$17,529

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Trustee	\$2,700	\$2,390	\$310
Office supplies	600	1,305	(\$705)
Subsidy local units	10,000	5,729	\$4,271
Insurance - life	150	136	\$14
Insurance - liability	4,500	4,383	\$117
Insurance - workmen's compensation	700	1,639	(\$939)
Dues - memberships	1,200	1,178	\$22
Pension premium	9,350	9,488	(\$138)
Legal fees - audit	7,800	4,224	\$3,576
Transportation	500	282	\$218
Miscellaneous	2,200	8,910	(\$6,710)
Dump expense	2,000	0	\$2,000
Total township board	41,700	39,664	\$2,036
SUPERVISOR - ASSESSOR-ADMINISTRATIVE ASSISTANT			
Salaries	12,300	12,256	44
Assessor	19,500	15,978	3,522
Office supplies	0	0	0
Contracted services	0	0	0
Transportation	0	0	0
Health Insurance-Administrative Assistant	8,600	9,039	(439)
Miscellaneous - professional	250	0	250
Total supervisor	40,650	37,273	3,377
ELECTIONS			
Salaries	1,500	2,620	(1,120)
Office supplies/new equipment	0	415	(415)
Election notices	300	246	54
Transportation-Professional Services	800	1,357	(557)
Total elections	2,600	4,638	(2,038)

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES COMPARED TO BUDGET - Continued  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
CLERK			
Salary	13,750	13,649	101
Office supplies - miscellaneous	750	219	531
Total clerk	14,500	13,868	632
TREASURER			
Salaries	15,350	17,398	(2,048)
Office supplies	1,500	2,032	(532)
Transportation	100	62	38
Miscellaneous - professional	3,050	5,639	(2,589)
Total treasurer	20,000	25,131	(5,131)
CEMETERY			
Salaries	12,162	13,120	(958)
Supplies	0	0	0
Utilities	500	541	(41)
Maintenance	6,000	4,011	1,989
Capital outlay	0	0	0
Miscellaneous - insurance	5,950	6,012	(62)
Total cemetery	24,612	23,684	928
TOWN HALL			
Maintenance	8,000	4,430	3,570
Supplies	100	55	45
Utilities	2,000	1,760	240
Miscellaneous	0	0	0
Total town hall	10,100	6,245	3,855

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES COMPARED TO BUDGET - Continued  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
BOARD OF REVIEW			
Salaries	600	0	600
Printing, publishing, and miscellaneous	100	17	83
Supplies	0	0	0
Total board of review	700	17	683
CONSTABLE - INSPECTOR	10,250	8,445	1,805
ROADS-DRAINS			
Road maintenance	81,450	89,341	(7,891)
Drains	6,000	0	6,000
Total roads and drains	87,450	89,341	(1,891)
ZONING BOARD			
Salary	1,076	1,707	(631)
Legal notices	600	566	34
Miscellaneous	450	1,645	(1,195)
Total zoning board	2,126	3,918	(1,792)
AMBULANCE SERVICE	10,000	8,961	1,039
Total operating expenditures	<u>\$264,688</u>	<u>\$261,185</u>	<u>\$3,503</u>

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
MARCH 31, 2005

ASSETS

	Fire Fund	Library Fund	Total
ASSETS			
Cash	\$0	\$47,581	\$47,581
Investments	87,744	1,737	89,481
Delinquent taxes receivable	9,605	6,207	15,812
Due from other funds	500	0	500
Due from tax fund	63,909	48,297	112,206
Total assets	<u>\$161,758</u>	<u>\$103,822</u>	<u>\$265,580</u>

LIABILITIES AND FUND BALANCE

LIABILITIES			
Accounts payable	\$8,975	\$7,512	\$16,487
Accrued wages	0	0	0
Due to other Governmental units	0	0	0
Total liabilities	8,975	7,512	16,487
FUND BALANCE	152,783	96,310	249,093
Total liabilities and fund balance	<u>\$161,758</u>	<u>\$103,822</u>	<u>\$265,580</u>

The notes to the financial statements are an integral part of this statement.



MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE -- SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED MARCH 31, 2005

	Fire Fund	Library Fund	Total
REVENUE			
Current tax levy	\$74,065	\$55,456	\$129,521
State of Michigan	0	4,248	4,248
Interest and rent	1,164	1,022	2,186
Transfer from General Fund	0	1,427	1,427
Federal funds received	0	0	0
Miscellaneous	1,265	531	1,796
Penal fines	0	18,078	18,078
Total revenues	76,494	80,762	157,256
EXPENDITURES			
Salaries	11,575	30,418	41,993
Maintenance - training	5,946	6,104	12,050
Books, periodicals and supplies	217	12,122	12,339
Capital outlay	20,576	0	20,576
Insurance	7,720	0	7,720
Communications	1,731	0	1,731
Transportation	200	0	200
Utilities-insurance	7,166	7,887	15,053
Health insurance	0	10,847	10,847
Miscellaneous	12,471	5,897	18,368
Total expenditures	67,602	73,275	140,877
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,892	7,487	16,379
FUND BALANCE - BEGINNING	143,891	88,823	232,714
FUND BALANCE - ENDING	\$152,783	\$96,310	\$249,093

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

FIRE FUND  
BALANCE SHEET  
MARCH 31, 2003

ASSETS

Cash	\$0
Investments	87,744
Taxes receivable	9,605
Due from other funds	500
Due from tax fund	63,909
	<hr/>
Total assets	\$161,758
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$8,975
------------------	---------

FUND BALANCE	152,783
	<hr/>

Total liabilities and fund balance	\$161,758
	<hr/>

STATEMENT OF FUND BALANCE

FUND BALANCE - BEGINNING	\$143,891
Excess of revenue over (under) expenditures	8,892
	<hr/>
FUND BALANCE - ENDING	\$152,783
	<hr/>

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

FIRE FUND  
STATEMENT OF REVENUE AND EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Property taxes	\$66,300	\$74,065	\$7,765
Other	3,000	1,265	(1,735)
Interest and rent	600	1,164	564
Total revenue	69,900	76,494	6,594
EXPENDITURES			
Salaries	16,578	11,575	5,003
Office supplies	1,000	217	783
Maintenance-training	3,000	5,946	(2,946)
Communications	1,400	1,731	(331)
Transportation and meals	0	200	(200)
Insurance	7,800	7,720	80
Utilities	3,500	7,166	(3,666)
Rent	1,800	2,250	(450)
Capital outlay	19,550	20,576	(1,026)
Miscellaneous	2,900	10,221	(7,321)
Total expenditures	57,528	67,602	(10,074)
Excess of revenues over (under) expenditures	\$12,372	\$8,892	(\$3,480)

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

LIBRARY FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

Cash	\$47,581
Investments	1,737
Due from tax account	48,297
Taxes receivable	<u>6,207</u>
Total assets	<u>\$103,822</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	<u>\$7,512</u>
Total liabilities	7,512

FUND BALANCE	<u>96,310</u>
Total liabilities and fund balance	<u>\$103,822</u>

STATEMENT OF FUND BALANCE

FUND BALANCE - BEGINNING	\$88,823
Excess of revenue over (under) expenditures	<u>7,487</u>
FUND BALANCE - ENDING	<u>\$96,310</u>

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

LIBRARY FUND  
STATEMENT OF REVENUE AND EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Contribution from			
General fund and others	\$7,000	\$1,427	(\$5,573)
Tax revenue	56,882	55,456	(1,426)
Penal fines	16,000	18,078	2,078
State aid	4,500	4,248	(252)
Interest	3,000	1,022	(1,978)
Miscellaneous	0	531	531
Total revenue	87,382	80,762	(6,620)
EXPENDITURES			
Salaries - Board	36,000	30,418	5,582
Books and periodicals	12,000	10,843	1,157
Library supplies	1,440	1,279	161
Building maintenance			0
and repairs	4,830	6,104	(1,274)
Utilities-insurance	8,250	7,887	363
Health insurance	9,864	10,847	(983)
Dues	2,250	295	1,955
Miscellaneous	1,880	5,602	(3,722)
Total expenditures	76,514	73,275	3,239
Excess of revenue over (under) expenditures	\$10,868	\$7,487	(\$3,381)

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

COMBINING BALANCE SHEET  
ALL FIDUCIARY FUNDS  
MARCH 31, 2005

ASSETS

	Agency Funds		Totals
	Trust and Agency	Current Tax	
Cash - Cash Equivalents	\$689	\$286,725	\$287,414

LIABILITIES

Due to schools	\$0	\$91,558	\$91,558
Due to St. Joseph County	0	10,788	10,788
Due to taxpayers	0	2,046	2,046
Due to other funds and units of government	689	0	689
Due to Mendon Township	0	182,333	182,333
Total liabilities	\$689	\$286,725	\$287,414

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

TRUST AND AGENCY FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

Cash	<u>\$689</u>
------	--------------

LIABILITIES

Due to other units of government	<u>\$689</u>
----------------------------------	--------------

Fund Balance	<u>0</u>
--------------	----------

Total liabilities and fund balance	<u>\$689</u>
------------------------------------	--------------

The notes to the financial statements are an integral part of this statement.

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

TRUST AND AGENCY FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

CASH BALANCE - BEGINNING	\$2,305
RECEIPTS	<u>24,165</u>
Total cash accountability	26,470
DISBURSEMENTS	
Payroll taxes:	
General Fund	15,319
St. Joseph County	7,398
General Fund	<u>3,064</u>
Total cash disbursements	<u>25,781</u>
CASH BALANCE - ENDING	<u><u>\$689</u></u>

The notes to the financial statements are an integral part of this statement.



MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

CURRENT TAX FUND  
BALANCE SHEET  
MARCH 31, 2005

ASSETS

Cash	<u>\$286,725</u>
------	------------------

LIABILITIES

Due to Kalamazoo Valley Intermediate Schools	\$3,350
Due to Kalamazoo Valley Schools	3,101
Due to Vicksburg Schools	22,039
Due to Mendon Schools	63,068
Due to Mendon Township	182,333
Due to St. Joseph County	10,788
Due to taxpayer	<u>2,046</u>
Total liabilities	<u>\$286,725</u>

MENDON TOWNSHIP, ST. JOSEPH COUNTY, MICHIGAN

CURRENT TAX FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

CASH - BEGINNING	\$449,943
RECEIPTS	<u>1,978,921</u>
Total cash accountability	2,428,864
DISBURSEMENTS	
Current	
Mendon School District	805,346
Vicksburg School District	38,450
St. Joseph County Treasurer	983,108
State of Michigan	88,081
Kalamazoo Valley Intermediate Schools	10,896
Kalamazoo Valley Community College	10,079
Miscellaneous Charges/Refunds	9,395
Village of Mendon	<u>196,784</u>
Total disbursements	<u>2,142,139</u>
CASH BALANCE - ENDING	<u><u>\$286,725</u></u>

The notes to the financial statements are an integral part of this statement.

Phone (269) 651-4225  
Fax (269) 651-1989

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board  
Mendon Township  
Mendon, Michigan

We have audited the general purpose financial statements of the Mendon Township, as of and for the year ended March 31, 2005, and have issued our report thereon dated September 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mendon Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

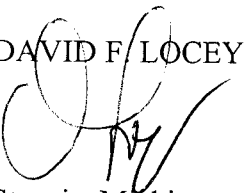
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mendon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

A handwritten signature in dark ink, appearing to read 'D. Lochey', is written over the printed name.

Sturgis, Michigan  
September 19, 2005

**David F. Locey, CPA, PC**

P.O. Box 7037  
67036 N. M-66  
Sturgis, MI 49091

---

(269)-651-4225 Phone  
(269)-651-1989 Fax


**COMMENTS AND RECOMMENDATIONS**

Township Board  
Mendon Township  
Mendon, Michigan 49072

Dear Board Members:

We appreciated the opportunity of examining your records for the year ended March 31, 2005. During the course of our examination we found the following comments and recommendations:

1. Budgeting - Since budgets are established on a total fund basis, your actual expenditures are under the adopted budget. However, for greater control within each fund, I would suggest amending budgets by line item as your year progresses. If you review each fund you will find line items, which exceed adopted budget.
2. Double entry record keeping - It is mandated by the state that a double-entry system be in place to properly reflect financial results.
3. Bi-Annual Audit - During the year some adjustments should be reflected to properly reflect results. Presently records are being maintained on a cash basis -i.e. when money is received it is income for that period. This is not true, property tax money and state revenue sharing are received after the year-end.
4. All audit adjustments - They should be posted to the general ledger as of March 31, 2005.
5. Cash accounts - The accounts should be reconciled on a regular basis, this is not being done.
6. Computerized reporting system - Financial software should be looked into, with a computer and some relatively inexpensive software better records could be maintained.
7. I would recommend an annual audit or review, presently adjustments are made to the records once every two years, this does not adequately reflect your financial position.



David F. Locey, C.P.A., P.C.  
September 19, 2005